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December 9, 2010  
VIA E-MAIL

Ms. Dana Dean  
Utah Division of Oil, Gas and Mining  
1594 West North Temple  
Salt Lake City, Utah 84116

**RE:** *Schedule for Permittee Response to December 7, 2010 Letter -- Division Order 10A (Task ID #3703), Paragraph IV, Item 2 (Task ID #3704) Genwal Resources, Inc., Crandall Canyon Mine, C/015/0032*

Dear Dana:

On behalf of Genwal Resources, Inc. ("Genwal"), we appreciated the opportunity to meet with you and the Division of Oil, Gas and Mining ("Division") regarding Genwal's response to Division Order 10A ("DO10-A"), Tasks ID Nos. 3703 and 3704.

Consistent with the revised Stipulation dated November 4, 2010, by December 15, 2010, Genwal will complete its response to the requirements of Task ID No. 3582 set forth in the Division's letter dated July 15, 2010, as amended November 1, 2010.

Genwal proposes the following schedule to complete Item IV of DO10-A:

**Requirement 1:**

*The Division's request that Genwal provide costs for capital, operations and maintenance of the treatment system.*

**Response:** Genwal has previously provided accounting data to the Division regarding the current treatment system. The Division has agreed to provide the permittee with the basis for this additional request under the Utah Coal Program. To the extent that this information relates to post-mining water treatment and bonding requirements, this response will be held in abeyance pending the Board's issuance of a final order in response to Genwal's pending petition for review of DO10-A, Docket No. 2010-026.

C/015/032 Incoming  
cc: SEC C. #3603  
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**DIV. OF OIL, GAS & MINING**

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*The Division's request that Genwal update and delete as built drawings in MRP Appendix 7-65, Attachment 8 and provide detailed descriptions of the treatment system.*

**Response:** Genwal will need to revise the drawings and provide additional detail and proposes to submit this information regarding the current treatment facility by February 1, 2011.

*The Division's request that Genwal remove or correct information in Appendix 7-65, Attachments 2 and 5.*

**Response:** Genwal will submit this information regarding the current treatment facility by December 23, 2010.

*The Division's request that permittee identify specific treatment chemicals and their specific application rates.*

**Response:** Genwal is working with its subcontractor to identify specific treatment chemicals and application rates and proposes to submit this information regarding the current treatment facility by February 1, 2011.

*The Division's request that permittee identify a sludge disposal location other than the Wildcat Loadout.*

**Response:** Genwal will submit this information by December 23, 2010.

**Requirement 2:**

*The Division requests that Genwal revise the Probable Hydrologic Consequences Determination ("PHC Determination") with respect to the magnitude and potential source of the sustained groundwater inflows to the Crandall Canyon Mine (the "Mine").*

**Response:** This response requires an extensive investigation of the magnitude and potential sources of sustained groundwater inflows to the Mine. Genwal will require at least one hydrologic year of data to respond and proposes to submit this information by November 2011.

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*The Division requests that the PHC Determination be revised to incorporate the monitoring data since the previous revision in 1995.*

**Response:** This data is provided quarterly, is currently in the Division's records and will be summarized in its submission provided in November 2011.

*The Division requests that the PHC Determination be revised to incorporate baseline data and a discussion that characterizes the nature of the groundwater system currently being intercepted in the Mine.*

**Response:** This baseline data, or monitoring data, has been updated quarterly, is currently in the Division's records and will be summarized in its submission provided in November 2011. Characterization of the nature of the groundwater system currently being intercepted in the Mine requires an extensive investigation and will be provided with the revised PHC in November 2011.

*The Division requests that the PHC Determination be revised to describe the potential impacts of intercepting the groundwater including the potential for impact to State appropriated water rights.*

**Response:** This response requires an extensive investigation of the potential impacts of intercepting groundwater. Genwal proposes to submit this information by November 2011. Genwal has the right under Utah law to dewater its Mine because water intercepted during mining is considered to be a nuisance rather than a benefit. *See, e.g., Snake Creek Mining & Tunnel Co. v Midway Irrig. Co.*, 20 U.S. 596 (1923).

*The Division requests that the PHC Determination be revised to address the potential impacts of utilizing a chemical process in reducing the iron levels in the Mine water.*

**Response:** Genwal is continuing to change the chemical process used to reduce iron levels from the Mine water. Genwal proposes to submit this information with the PHC revision submitted in November 2011.

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*The Division requests that the PHC Determination be revised to address potential impacts from sustained water discharge into Crandall Creek, including alterations to stream channel morphology and aquatic habitat.*

**Response:** This response requires an extensive investigation and Genwal proposes to provide this information with the PHC revision submitted in November 2011.

If you have any questions or comments, please contact me or David Hibbs at 435-888-4000.

Very truly yours,

A handwritten signature in black ink, appearing to be "D. Dragoo", with a horizontal line extending to the right.

Denise A. Dragoo

DD:jmc

cc: David Hibbs (via e-mail)  
Dave Shaver (via e-mail)  
Farley Wood (via e-mail)  
Kevin Anderson, Esq. (via e-mail)  
Steve Alder, Esq. (via e-mail)